



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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WENDY L. WATANABE
AUDITOR-CONTROLLER

September 12, 2013

TO: Mitchell H. Katz, M.D., Director
Department of Health Services

FROM: Wendy L. Watanabe
Auditor-Controller

A handwritten signature in blue ink, reading "Wendy L. Watanabe".

SUBJECT: **REVIEW OF LAC+USC HEALTHCARE NETWORK PATIENT VALUABLES**

At the request of the LAC+USC Healthcare Network (LAC+USC or Facility), we reviewed LAC+USC's controls and safeguards over patient valuables. The purpose of our review was to evaluate the Facility's procedures for collecting, recording, storing, and returning patient valuables, and to determine whether patient valuables are properly handled and safeguarded. Our review included interviews with LAC+USC management and staff responsible for patient valuables, walk-throughs of cashier and valuables storage locations, an examination of LAC+USC's patient valuables policies and procedures, and tests of Facility records.

Our review identified a number of weaknesses in LAC+USC's controls over their patient valuables. For example, patient valuables documentation is not always accurately completed, there is a lack of adequate separation of duties over patient valuables processes, unclaimed patient valuables are not followed up timely, and the Patient Personal Deposit Database (Database) lacks proper controls. LAC+USC also needs to establish controls over their Personal Patient Deposit Trust and Revolving Funds. The following are detailed results of our review, and recommendations for improvement.

Background

Patient valuables include cash, credit cards, checks, medical cards, jewelry, and other personal items. When a patient is admitted from LAC+USC's Emergency Room (ER) or Psychiatric Emergency Room (Psych ER), ER/Psych ER staff are responsible for collecting the patient's valuables for temporary safekeeping.

When collecting patient valuables, the Facility requires ER/Psych ER staff to complete and itemize valuables collected on a Record of Valuables Slip (Record Slip), sign the Record Slip along with the patient or authorized person (i.e., relative, friend, or second hospital employee), and provide a copy to the patient/authorized person. Staff also complete a Trip Ticket identifying the patient's name/medical record number, Record Slip number, and amount of cash collected, if any. ER/Psych ER staff place patient valuables in envelopes, and secure them in safes located in their respective units. The patient valuables are then picked-up by Facility cashiers, and transferred to the Cashier's Office for storage.

Facility cashiers and ER/Psych ER staff reconcile the contents of the patient valuables envelopes to the Record Slips and Trip Tickets, and sign both documents to verify that they agree. Cashiers also complete a Ledger Card for cash collections over \$15, which are processed with other daily cash receipts, and deposited into the Personal Patient Deposit Trust Fund (Patient Trust Fund). The Trip Ticket, cash receipt, and copies of the Record Slip and Ledger Card are submitted to the cashier supervisor, and entered into the Database.

In July 2012, LAC+USC stored a total of 743 patient valuables envelopes. In addition, at the end of May 2012, LAC+USC's Patient Trust Fund had a balance of \$81,600, and their Revolving Fund for patient reimbursements totaled \$16,200.

Collecting and Recording Patient Valuables

To determine if the Facility is properly collecting and recording patient valuables, we reviewed 44 patient valuable records, and noted the following:

- Sixteen (36%) Record Slips did not list all items contained in the patient valuables envelopes. For example, we noted that some patients' credit cards, driver licenses, and Social Security cards were not identified on the Record Slip. Cashiers should itemize on the Record Slip all items with unique identifiers, and include the last four characters of the identifier.
- Seven (16%) Record Slips were not signed by staff and/or the patient/authorized person. Requiring staff and the patient/authorized person to sign the Record Slips establishes mutual agreement on what was collected, and reduces the likelihood of discrepancies.
- Eight (18%) patient valuable records were never entered in the Database. In addition, cashier supervisors do not reconcile patient valuable items listed on the Record Slips to the Trip Ticket before entering patient valuables information into the Database. The Facility indicated that these incidents were oversights by the cashier supervisors. Management should conduct periodic reviews of Database

entries and supporting documentation to ensure that the Facility's records accurately reflect all valuables in their possession.

- A Ledger Card was not completed to document cash received from three (7%) patients. To prevent discrepancies and ensure that patient funds are properly accounted for, supervisors should reconcile cashier collections to supporting documentation daily.

In addition, we noted separation of duties issues in the collection and recording of patient valuables. Specifically, the cashier who picks up patient valuables from the ER/Psych ER is the same person who stores, has custody of, and releases the valuables. In addition, the Psych ER staff who collects valuables from patients is sometimes the same person who verifies the valuables with the cashier. As a result, it is possible for one person to misappropriate patient valuables without being detected. While we did not find any evidence of misconduct, these tasks should be separated to establish an appropriate system of checks, to mitigate the risk of theft, and to ensure that discrepancies are resolved timely.

Recommendations

LAC+USC management:

1. **Ensure Record of Valuables Slips are accurately completed and appropriately signed by both staff and by the patient/authorized person, and a Ledger Card is completed to document cash collections.**
2. **Require supervisors to reconcile cashier collections to patient valuables documentation daily.**
3. **Ensure Record of Valuables Slips are reconciled to Trip Tickets before information is entered into the Patient Personal Deposit Database, and periodically review Database log entries and supporting documents to ensure the Facility's records accurately reflect all valuables in their possession.**
4. **Ensure adequate separation of duties exist over the collection and recording of patient valuables.**

Storing Patient Valuables

Physical Storage

As previously indicated, when patients are admitted to the Facility from LAC+USC's ER/Psych ER, patient valuables are placed in envelopes and temporarily stored in

locked safes in the ER/Psych ER, until collected by Facility cashiers for storage in the Cashier's Office.

As part of our review, we conducted walk-throughs of the Facility's patient valuables storage locations and safes, and noted that the patient valuables safes located in the ER/Psych ER are in public hallways, and the key to the Psych ER patient valuables safe is shared with nurse assistants and clerks. Safes should be secured in non-public areas, such as behind the nurses' station counters, and access to the ER/Psych ER patient valuables safe should be restricted to charge nurses only.

Storage of Information

We compared the number of in-use patient valuables envelopes to the number of in-use Record Slips. We identified 14 fewer envelopes (743) than Record Slips (757). We were unable to determine if the discrepancy was caused by cashiers not properly removing Record Slips from the Cashier's File once valuables were returned to patients, or if the Facility was missing 14 envelopes. The Facility should periodically reconcile Record Slips to patient valuables envelopes, and investigate any discrepancies.

In addition, we noted that there is only one Database login password, and it is shared by two supervisors and a former employee of the Cashier's Office. The County Fiscal Manual (CFM) Section 8.6.4 requires each user to have a unique name and password. In addition, access should be terminated for users who are no longer involved in the patient valuables process.

Recommendations

LAC+USC management:

- 5. Relocate the ER/Psych ER valuables safes to a secure area out of public view, and restrict access to the ER/Psych ER valuables safes to charge nurses only.**
- 6. Periodically reconcile Record of Valuables Slips to patient valuables envelopes, and investigate any discrepancies.**
- 7. Ensure Patient Personal Deposit Database user names and passwords are unique for each user, and terminate access for users no longer involved in the patient valuables process.**

Returning Patient Valuables

When a patient collects their valuables from the Cashier's Office, the cashier is required to verify the patient's identification (e.g., hospital wrist-band, picture identification, etc.)

and the patient's copy of the Record Slip, if available. If someone other than the patient (e.g., family member, nurse, etc.) picks-up the valuables, the cashier must review the patient's Withdrawal of Valuables Slip, which is completed by hospital staff, and signed by the patient and/or the charge nurse, to verify that the person is authorized to pick up the valuables, and obtain a copy of the person's identification. In addition, LAC+USC requires that funds over \$1,000 be returned to the patient by check.

We reviewed 20 instances where patient valuables were returned in June 2012, to determine if valuables were properly released. We noted that for ten (50%) patient valuables, an authorized person's name was not indicated on the Withdrawal of Valuables Slip, but the valuables were still released to someone other than the patient. LAC+USC could be liable if the Facility cannot document that the valuables were released to an authorized person. We also noted two incidents where the cashier returned patient funds over \$1,000 in cash, instead of via check.

Recommendations

LAC+USC management:

- 8. Ensure cashiers only release valuables to the patient or an authorized person indicated on the Withdrawal of Valuables Slip.**
- 9. Ensure patient reimbursements over \$1,000 are refunded by check.**

Unclaimed Valuables

Our review noted that the Facility does not have a policy on when patients should be contacted about their unclaimed valuables. We noted 31 instances where patient valuables were still being held at the Facility more than one year after the patient was discharged, and there had been no attempt during the year to contact the patient. Facility staff indicated that they sometimes do not notify patients about their valuables for up to three years after the patient is released from the hospital. LAC+USC should implement written procedures to notify patients about any valuables in storage at the time of the patient's discharge, and establish reasonable timeframes to follow-up with former patients when their valuables remain unclaimed. In addition, LAC+USC should ensure that patient funds that have been unclaimed for more than three years are submitted to the County's Treasurer and Tax Collector for disposition, as required by CFM Section 2.6.1 and California Government Code Sections 50050-50057.

Recommendations

LAC+USC management:

- 10. Implement written procedures to notify patients about any valuables in storage at the time of discharge, and establish reasonable timeframes to follow-up with former patients when their valuables remain unclaimed.**
- 11. Ensure that patient funds that have been unclaimed for more than three years are submitted to the County's Treasurer and Tax Collector for disposition.**

Patient Trust and Revolving Funds

Cash collections from patients are deposited for safekeeping into LAC+USC's Patient Trust Fund. LAC+USC also maintains a Revolving Fund to expedite patient cash reimbursements. Our review of LAC+USC's Patient Trust Fund and its Revolving Fund noted the following:

- Collections over \$500 are not deposited daily, and patients are being reimbursed using collections from other patients that should be deposited into the Patient Trust Fund. CFM Section 1.3.7.1 indicates that collections must be deposited intact, no disbursements should be made from collections prior to deposit, and that daily cash/check collections over \$500 should be deposited by the close of the business day.
- Patient valuables cash collections are commingled with the Facility's change fund. In addition, LAC+USC replenishes cash by issuing a Revolving Fund check, and by using cash that should be deposited into the Self Pay Revenue Account. CFM Section 1.6.3 indicates that funds must not be commingled, and each revolving fund assignment must be maintained separately.
- The Patient Trust Fund and Revolving Fund are not reconciled, as required by CFM Sections 2.3.0 and 2.5.3.
- The Facility lacks proper controls over revolving fund checks by not maintaining a list of authorized check signers, not obtaining two signatures for checks issued over \$500, and granting check signing authority to lower-level staff, instead of restricting authority to supervisors/managers. CFM Sections 1.2.2 and 4.6.9 require departments to maintain the names and titles of department managers authorized to sign checks, and obtain two signatures for checks over \$500, respectively.

- The Facility does not maintain documentation indicating the purpose and authority of the Patient Trust Fund. CFM Section 2.1.3 requires departments to maintain historical data documenting a trust fund's purpose and authority.

Some of the issues noted above are consistent with findings reported in our January 2011 LAC+USC Healthcare Network Review of Trust Funds, Revolving Funds, Commitments, and Accounts Payable. While the Facility's December 2010 response to our prior review indicated that they would implement our recommendations, based on our current findings, these continue to be areas of concern.

Recommendations

LAC+USC management:

- 12. Deposit patient cash collections intact, and ensure collections over \$500 are deposited daily and reimbursements are only made from the Revolving Fund.**
- 13. Ensure patient valuables collections are not commingled with the Facility's change fund.**
- 14. Conduct monthly reconciliations of its Personal Patient Deposit Trust Fund and its Revolving Fund.**
- 15. Ensure proper controls are in place for Revolving Fund checks, including maintaining a list of authorized signers, obtaining two signatures for checks over \$500, and restricting check signing authority to supervisors/managers.**
- 16. Document the purpose and authority of the Personal Patient Deposit Trust Fund.**

County Internal Control Certification Program

County Code Section 2.10.015 requires County departments to evaluate their fiscal controls annually using the County's Internal Control Certification Program (ICCP). The ICCP is intended to give departments the ability to assess their own internal controls, and take corrective action to ensure compliance with County policies and standards. When LAC+USC evaluated its controls over cash and trust accounts using the ICCP, management certified that controls were in place, but we noted otherwise. Certain internal control weaknesses discussed in this report could have been identified and corrected if the Facility had properly completed the ICCP, as required.

Recommendation

- 17. LAC+USC management conduct ICCP reviews in accordance with ICCP procedures, and ensure the information is accurate before submitting the ICCP.**

Review of Report

We discussed our report with LAC+USC management. LAC+USC management agreed with our findings and recommendations, and will work to improve controls over the patient valuables process. LAC+USC's response (attached) describes the corrective actions the Facility has taken, or plans to take, to address the recommendations in our report.

We thank LAC+USC management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Robert Smythe at (213) 253-0101.

WLW:RS

Attachment

c: LAC+USC Healthcare Network

Christina R. Ghaly, M.D., Interim Chief Executive Officer

Mark Corbet, Chief Financial Officer

Audit Committee



September 12, 2013

Los Angeles County
Board of Supervisors

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Third District

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Fourth District

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Fifth District

TO: Wendy L. Watanabe
Auditor-Controller

FROM: Mitchell H. Katz, M.D. 
Audit and Compliance Division

SUBJECT: **RESPONSE TO AUDITOR-CONTROLLER'S PATIENT
VALUABLES REVIEW AT LAC+USC MEDICAL
CENTER**

Mitchell H. Katz, M.D.
Director

Hal F. Yee, Jr., M.D., Ph.D.
Chief Medical Officer

Christina R. Ghaly, M.D.
Deputy Director, Strategic Planning

Attached is the Department of Health Services' response to the recommendations made in the Auditor-Controller's report of its review of the Patient Valuables at LAC+USC Medical Center. We have taken or initiated corrective actions to address many of the recommendations contained in the report.

If you have any questions or require additional information, please let me know or you may contact Tobi L. Moree at (213) 240-7901 or Elizabeth Guzman at (213) 240-7759.

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MHK:tlm:eg

Attachment

c: Anish Mahajan, M.D.
Christina Ghaly, M.D.
Henry Ornelas
Tobi L. Moree

*To ensure access to high-quality,
patient-centered, cost-effective
health care to Los Angeles County
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**COUNTY OF LOS ANGELES – DEPARTMENT OF HEALTH SERVICES
RESPONSE TO AUDITOR-CONTROLLER PATIENT VALUABLES REVIEW
AT LAC+USC MEDICAL CENTER**

This is in response to the Auditor-Controller's review of Patient Valuables at LAC+USC Medical Center (LAC+USC MC). The Department of Health Services (DHS or Department) generally concurs with the recommendations and is implementing or has implemented corrective actions. The Department's response for each recommendation is as follows:

Auditor-Controller Recommendation No. 1

LAC+USC MC management ensure Record of Valuables Slips are accurately completed and appropriately signed by both staff and by the patient/authorized person, and a Ledger Card is completed to document cash collections.

DHS response:

We concur. Effective September 30, 2013, Nursing will ensure Records of Valuables Slips are accurately completed and appropriately signed by both staff and by the patient/authorized person. Effective August 26, 2013, Cashiers and ER/Psych ER staff are reconciling the contents of the patient valuable envelopes to the Record of Valuables Slips to ensure all valuables are itemized accurately and completely. As of October 2012, Cashier Supervisors are reviewing the daily supporting documentation for cash collections (i.e., Record Slips, Trip Tickets and Affinity System receipts) to prevent discrepancies and verifying that a Ledger Card is completed for each cash collection over \$15.

Auditor-Controller Recommendation No. 2

LAC+USC MC management require supervisors to reconcile cashier collections to patient valuables documentation daily.

DHS response:

We concur. As of October 2012, Cashier Supervisors are required and are reconciling cashier collections to each Trip Ticket, Record of Valuables Slips and Affinity cash transaction receipt for each patient on a daily basis.

Auditor-Controller Recommendation No. 3

LAC+USC MC management ensure Record of Valuables Slips are reconciled to Trip Tickets before information is entered into the Patient Personal Deposit Database, and periodically review Database log entries and supporting documents to ensure the Facility's records accurately reflect all valuables in their possession.

DHS response:

We concur. As of October 2012, Cashier Supervisors are reconciling each Record of Valuables Slip to the corresponding Trip Ticket before the information is entered into the Patient Personal Deposit Database. Effective September 30, 2013, Cashier Supervisors will perform monthly audits of the Database log entries and the actual envelopes to ensure that LAC+USC MC's records accurately reflect all valuables in their possession.

Auditor-Controller Recommendation No. 4

LAC+USC MC management ensure adequate separation of duties exist over the collection and recording of patient valuables.

DHS response:

We concur. As of August 26, 2013, a General Hospital (GH) Cashier collects the patient valuable envelopes from the ER/Psych ER staff and transports the envelopes back to the Inpatient Tower (IPT) Cashier's office for storage. At the IPT Cashier's office, the IPT Cashier and the GH Cashier complete a ledger card if necessary. The Cashier Supervisor then reviews and reconciles all supporting documentation daily.

Auditor-Controller Recommendation No. 5

LAC+USC MC management relocate the ER/Psych ER valuables safes to a secure area out of public view, and restrict access to the ER/Psych ER valuables safes to charge nurses only.

DHS response:

We concur. LAC+USC Expenditure Management will work with Nursing to evaluate where the ER/Psych ER valuables safes should be relocated to ensure they are in a secure area out of public view, and restricted to ER/Psych ER charge nurses only.

Auditor-Controller Recommendation No. 6

LAC+USC MC management periodically reconcile Record of Valuables Slips to patient valuables envelopes, and investigate any discrepancies.

DHS response:

We concur. As of September 30, 2013, Cashier Supervisors will periodically reconcile by performing monthly audits of the Record of Valuables Slips and the patient valuables envelopes to verify that LAC+USC MC's records accurately reflect all valuables. Any discrepancies will be noted and investigated.

Auditor-Controller Recommendation No. 7

LAC+USC MC management ensure Patient Personal Deposit Database (Database) usernames and passwords are unique for each user, and terminate access for users no longer involved in the patient valuables process.

DHS response:

We partially concur. The current Database was developed approximately 20 years ago by a former County employee. This Database does not have the capability to change passwords, add unique passwords and user names, or terminate access for users. The Database resides on only one computer in the GH Cashier's locked office and access is currently limited to and monitored by two Cashier Supervisors who are stationed in the GH Cashier's locked office. This reduces the risk of previous users gaining access.

LAC+USC MC will work with Information Systems to develop a new system to monitor and track the Patient Personal Deposits requiring unique usernames and passwords for each user and terminate users access when they are no longer involved in the patient valuable process. This is contingent upon available County resources.

Auditor-Controller Recommendation No. 8

LAC+USC MC management ensure cashiers only release valuables to the patient or an authorized person indicated on the Withdrawal of Valuables Slip.

DHS response:

We concur. In October 2012, Cashiers were verbally instructed by their Supervisors to release valuables only to the patient or an authorized person indicated on the Withdrawal of Valuables Slip. Cashier Supervisors review each completed Record of Valuables Slip to ensure Cashiers are following this instruction.

Auditor-Controller Recommendation No. 9

LAC+USC MC management ensure patient reimbursements over \$1,000 are refunded by check.

DHS response:

We concur. Cashiers were verbally reminded in October 2012 that all patient reimbursements over \$1,000 must be refunded by check. However, because of our patient population, many of whom do not possess a legal form of identification or bank account, check reimbursements may cause unnecessary financial hardships due to associated check cashing fees. Therefore, there may be occasions where reimbursements over \$1,000 are made with cash. This would only be done on a case by case basis and must be approved by Cashier Supervisors. Additionally, LAC+USC's internal policy will be revised to reflect this exception.

Auditor-Controller Recommendation No. 10

LAC+USC MC management implement written procedures to notify patients about any valuables in storage at the time of discharge, and establish reasonable timeframes to follow-up with former patients when their valuables remain unclaimed.

DHS response:

We concur. LAC+USC Expenditure Management will work with the Nursing Office to implement written procedures by December 31, 2013, to notify patients about any valuables in storage at the time of discharge. The procedures will also include reasonable timeframes to follow-up with former patients when their valuables remain unclaimed. As of July 2013, the Cashier's Office began sending letters to patients who left their valuables in storage at the time of discharge. Several patients have come in to claim their valuables while several of the letters have been returned undeliverable.

Auditor-Controller Recommendation No. 11

LAC+USC MC management ensure that patient funds that have been unclaimed for more than three years are submitted to the County's Treasurer and Tax Collector (TTC) for disposition.

DHS response:

We concur. By September 30, 2013, LAC+USC MC will submit patient funds that have been unclaimed for more than three years to the TTC for disposition.

Auditor-Controller Recommendation No. 12

LAC+USC MC management deposit patient cash collections intact, and ensure collections over \$500 are deposited daily and reimbursements are only made from the Revolving Fund.

DHS response:

We concur. On April 4, 2013, Cashier's staff were provided written instructions to deposit patient cash collections intact, and as of August 19, 2013, ISD County messengers are picking up the daily (M-F) deposits from the Cashier's Office and transporting them to TTC. As of August 26, 2013, reimbursements are only made from the Revolving Fund.

Auditor-Controller Recommendation No. 13

LAC+USC MC management ensure patient valuables collections are not commingled with the Facility's change fund.

DHS response:

We concur. As of August 26, 2013, Cashiers are using the established \$1,000 fund box to ensure patient valuables collections are not commingled with their daily change fund.

Auditor-Controller Recommendation No. 14

LAC+USC MC management conduct monthly reconciliations of its Personal Patient Deposit Trust Fund and its Revolving Fund.

DHS response:

We concur. Beginning July 2013, the Personal Patient Deposit Trust Fund and Revolving Fund are being reconciled monthly.

Auditor-Controller Recommendation No. 15

LAC+USC MC management ensure proper controls are in place for Revolving Fund checks, including maintaining a list of authorized signers, obtaining two signatures for checks over \$500, and restricting check signing authority to supervisors/managers.

DHS response:

We concur. LAC+USC Medical Center will work towards ensuring proper controls are in place for Revolving Fund checks including maintaining a list of authorized signers and restricting check signing authority to supervisors/managers. Additionally, cashiers will be reminded that checks over \$500 must have two signatures. The target date to implement this recommendation is to be determined.

Auditor-Controller Recommendation No. 16

LAC+USC MC management document the purpose and authority of the Personal Patient Deposit Trust Fund.

DHS response:

We concur. By September 30, 2013, LAC+USC MC will document the purpose and authority of the Personal Patient Deposit Trust Fund in a letter to the Auditor-Controller.

Auditor-Controller Recommendation No. 17

LAC+USC management conduct Internal Control Certification Program (ICCP) reviews in accordance with ICCP procedures, and ensure the information is accurate before submitting the ICCP.

DHS response:

We concur. Expenditure Management reviews the annual ICCP for accuracy prior to submitting to the Auditor-Controller. This will be implemented on the next ICCP which is due in 2014.